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**FISCAL IMPACT STATEMENT**

**LS 7034**

**BILL NUMBER:** SB 382

**NOTE PREPARED:** Feb 28, 2006

**BILL AMENDED:** Feb 28, 2006

**SUBJECT:** Vanderburgh County Airport Development Zone.

**FIRST AUTHOR:** Sen. Becker

**FIRST SPONSOR:** Rep. Crouch

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill decreases the minimum size of a qualified airport development project in Vanderburgh County to \$250,000 (the same threshold that applies to all other units except Marion County). It deletes a provision restricting an airport development zone in Vanderburgh County to the airport and up to three square miles of area outside of the airport. It also removes the provision specifying that a tax increment financing "allocation area" may not be established by an airport development zone in Vanderburgh County. The bill allows an airport authority board in Vanderburgh County to amend a resolution designating an airport development zone to include a provision with respect to the allocation and distribution of property taxes. It specifies requirements for approval of the amendment by county and municipal authorities. It also deletes provisions concerning enterprise zone inventory property tax credits in airport development zones in Vanderburgh County. The bill authorizes the establishment of an airport development zone in Delaware County.

**Effective Date:** April 1, 2006; January 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Vanderburgh County Airport Authority:* The bill makes the following two changes relating to an airport development zone and qualified airport development projects in Vanderburgh County.

(1) The bill changes current statute relating to the establishment of an airport development zone by the Vanderburgh County Airport Authority. Under current statute, airport development zones are authorized in Marion County, Gary, Allen County, Vigo County, and Vanderburgh County. Current statute places a size limit on the Vanderburgh County airport development zone that does not apply to the other local units. The Vanderburgh County airport development zone is limited to the airport plus the area outside the airport property provided the total area does not exceed three square miles. The bill eliminates this size limitation.

(2) The bill also changes current statute as to qualified airport development projects that may be undertaken by the Vanderburgh County Airport Authority. Current statute also specifies a monetary threshold for qualified airport development projects. The project value must exceed \$500 M in the Marion County airport development zone; and must exceed \$250,000 the airport development zones in Gary, Allen County, and Vigo County. However, qualified projects in the Vanderburgh County airport development zone must have a value exceeding \$500,000 if located on the airport property, or \$2 M if located outside the airport property but within the airport development zone. The bill eliminates this special threshold and places Vanderburgh County under the \$250,000 threshold that currently applies to airport development projects in Gary, Allen County, and Vigo County.

**Explanation of Local Revenues:** *Allocation Area:* The bill allows the Vanderburgh County Airport Authority to designate the airport development zone as an allocation area. Under current statute, this authority exists for airport development zones in Marion County, Gary, Allen County, and Vigo County. The bill provides that the Airport Authority may amend the existing resolution establishing the airport development zone to include a provision relating to the allocation and distribution of property taxes. In the allocation area, taxes paid on the property AV which is over and above the base AV would be captured and allocated to the Airport Authority. The base AV includes the tangible property AV on the assessment date immediately prior to the effective date of the allocation provision of the Authority's amended resolution. (Note: See discussion below on allocation area impacts.)

The Airport Authority may utilize the allocated property taxes for: (1) training expenses of public or private entities for employees at a qualified airport development project; (2) debt service for qualified airport development projects; or (3) reimbursement of expenditures made by the Airport Authority for qualified airport development projects. The bill also provides for allocated property taxes to be utilized to provide property tax replacement credits to taxpayers in the airport development zone.

*Allocation Area Impacts:* An allocation area does not affect total tax revenue to local civil taxing units and school corporations, except for cumulative funds, since AV growth does not generate more tax levy for these entities. The cumulative funds, however, receive less tax levy growth than would otherwise be the case due to allocation areas, since they have set tax rates that would generate more tax levy from AV growth.

If there is an increase in development because of the use of TIF, the new property would, at some point, be placed on the tax rolls. However, if one assumes that the investment would be made independent of TIF, the delay in the property being placed on the tax rolls results in a delay of the property tax burden shift from all taxpayers to the owners of the new property until the property is placed on the tax rolls.

*Other Provisions:* The bill repeals current statute that entitles a taxpayer in the airport development zone in Vanderburgh County to the existing Enterprise Zone Inventory Property Tax Credit. The repeal is effective January 1, 2007. At this time the statewide 100% Inventory Deduction would take effect and, therefore, the Inventory Credit would no longer have any impact.

The bill also repeals a special provision for the airport development zone in Vanderburgh County which disqualified a business from benefits or incentives available in the zone if it substantially reduces or ceases operation elsewhere in Indiana to relocate operations to the zone.

*Vanderburgh County Airport Development Zone:* This bill would add Delaware County to the list of counties eligible to establish an airport development zone. The Delaware County Airport Development Zone would have the same authority as the existing zones.

**State Agencies Affected:**

**Local Agencies Affected:** Vanderburgh County Airport Authority; Vanderburgh County; City of Evansville; Taxing units that serve the area; Delaware County Airport Authority.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859; Jim Landers, 317-232-9869.